“Hindustan Zinc Limited Q3 FY-22 Earnings Conference Call”

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MANAGEMENT: MR. ARUN MISRA – CHIEF EXECUTIVE OFFICER, HINDUSTAN ZINC LIMITED
MR. SANDEEP MODI – INTERIM CHIEF FINANCIAL OFFICER, HINDUSTAN ZINC LIMITED
MS. SHWETA ARORA – HEAD-INVESTOR RELATIONS, HINDUSTAN ZINC LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY22 Earnings Conference Call of Hindustan Zinc Limited. As a reminder, all participant lines will be in the listen only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal for an operator by pressing * then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Shweta Arora, Head of Investor Relations. Thank you and over to you, ma'am.

Shweta Arora: Thank you. Good afternoon everyone. I welcome you all to Hindustan Zinc's third quarter and nine months ending FY22 results briefing.

On behalf of Hindustan Zinc, I wish you and your family a Very Happy New Year 2022. Today on the call we have with us our CEO – Mr. Arun Misra and our Interim CFO – Mr. Sandeep Modi. Mr. Misra will begin with an update on business performance while Mr. Modi will walk you through financial performance, after which we will open the floor for questions.

I now request Mr. Misra to begin today's call. Over to you, Mr. Misra.

Arun Misra: Thank you, Shweta. Good afternoon everyone. Thank you for joining us today for the third quarter results. First of all, I would like to wish you all and your loved ones a Very Happy New Year 2022. May this year brings the best of health and success to each one of you. With the recent rise in COVID cases in the country due to the new variant, it is important to mask up, vaccinate and help control the spread.

I am happy to inform that almost all of our employees, business partners and their family members have been administered the second dose of the vaccine. This has helped us to control the positivity rates and improve recovery rates with minimized need of hospitalization. We have also started administering vaccination for all eligible kids of employees and business partners, as well as the booster dose as per government protocol.

Before I begin today's results presentation, I regret to inform you all that we lost one of our colleagues in an unfortunate accident that happened at our Baroi mines, part of Zawar Group of mines on the 3rd of November 2021. I would like to offer my deepest condolences to the bereaved family and friends of the deceased. One life lost is one too many.

We commit to stand by the family in this hour of distress. We have conducted an in-depth incident investigation through an independent investigation committee. The learnings from the incident have been reviewed and are being implemented across all our operating assets.

Coming to an update on the ESG front, I am happy to inform that not only have we maintained our first rank in Asia Pacific in the Dow Jones Sustainability Index amongst Metal and mining peers, we are also #1 globally in the environment category. At the overall level we have moved up from 7th position to 5th position globally. This is highly encouraging and gives us confidence to march ahead on our ESG vision.

We have also committed to spend $1 billion for our green energy initiatives and reduce our carbon emissions. We will continue to focus and make sustained efforts to reduce our dependence on non-renewable sources of energy and bring the share of renewable energy to over 50% in the next three years. We have already released an expression of interest for 300 MW renewable energy round the clock sourcing at Dariba. The power purchase agreement signing for the same is under progress.

To preserve the biodiversity around our locations, we have signed up for a three year engagement with the International Union for Conservation of Nature (IUCN) for the development of Biodiversity Management plan, focusing on a no net loss approach to achieve our sustainability goal 2025. We maintain zero liquid discharge at all our locations.

I am also happy to inform that we have formed a board level ESG and Sustainability Committee and its first meeting was conducted in December 2021. These are some of the timely steps required for us to achieve our commitment of Net Zero by 2050. Coming to an update on CSR activities, our CSR team has continued their efforts on ground catering to life, livelihood, and oxygen supply during the COVID period.

In addition, they have done significant work in creating strong self sustaining institutions on ground be it through efforts of creating farmer producer companies in five districts of Rajasthan, or converting microfinance organizations into legal entities to create sustained platforms for enhancing the local economy. We continue to see our CSR role to be database accredited to create such micro enterprises which will assist in strengthening the local economies by engaging and enhancing the ownership of the communities.

We have formed a not for profit company to manage the Zinc Football Academy. This will help the Academy to participate in football at professional levels under the events organized by All India Football Federation. This is an essential platform to provide competitive exposure to our budding football stars.

I am happy to share that Hindustan Zinc has won the leaders for social change award by Social Story Foundation for their Sati Women Empowerment initiatives. Our CSR team was also awarded at CMOSAR's best CSR Practice Award forum in the best overall excellence categories. I am delighted to share that our people practices were recognized in the form of People First HR Excellence Award.

I am also happy to share that our leaders at Hindustan Zinc were recognized at General Managers Award, which is joint initiative between People Business and The Economic Times to recognize and reward great managers in the country.

Turning to market updates, the rapid spread of Omicron COVID variant is clearly a source of uncertainty for the global economic outlook.

Base case assumption is that like the delta variant before it, the impact on global growth will be modest, however, their new variants is likely to ensure that supply chain issues are now likely to remain a significant feature of the global economy in 2022, And as has been the case in 2021, it may delay the meeting of pent up demand for zinc intensive manufactured goods.

According to Wood Mac data mines supply in 2021 has rebounded following the sharp fall in 2020. Mines capability is also expected to further rise in the medium term. Zinc's price retreated from its year to date cash high above $3,800 per ton. Even though we are yet to see real evidence of sizable smelter cutbacks, spot refined metal premiere in all regions have received a boost and some annual contract premiere in Europe and the US for 2022 are expected to double.

Higher power prices in Europe and China remain key risks to watch out for in terms of refined metal production. Talking about LME exchange stocks at the current levels, they are only sufficient to meet seven days of global demand, which is one of the lowest levels for the calendar year 2021.

We feel relatively low stocks, supply side disruptions, and the robust demand will continue to put upward pressure on spot metal premiums globally. At a global level, zinc demand supply market remains tight and uncertainties pertaining to refined metal output due to rising energy prices and smelters, either reducing output or going into care and maintenance keeps premia high. This in our view should continue to support prices in the short to medium term.

On the domestic front India's manufacturing sector activities moderated in December and as per the survey based IHS Markit India manufacturing PMI yields to 55.5 from the 10 month high of 57.6 in November. We are still decisively in the expansionary phase but input cost inflation is at one of the highest levels in around 7.5 years as per the report. This is a constant concern in addition to supply chain disruptions.

As for domestic zinc demand, government spending continues in infrastructure, highways, electrification, and transmission projects. So structural tailwinds for the metal are intact and we do not face any issues of selling in our stocks in the Indian market. Coming to lead, lead prices remain relatively flat on a sequential basis.

Battery demand has been quite modest in the December so far. Battery producers did experience some rise in demand earlier in the month when SHFE prices started increasing, triggering buying from the distributors and retailers, but this activity slowed down when SHFE prices stabilized, after which battery demand was met from inventory wherever possible.

Coming to silver, it has benefited from a noticeable improvement in market fundamentals over the last quarter. Economic momentum easing lockdown restrictions and comparatively weaker silver prices along with the month long festive and wedding season, has helped silver demand recover strongly although it is still expected to fall, sort of pre pandemic levels. Demand in rural areas saw twice the growth rate with respect to metro cities, which can be routed to ample monsoon and healthy harvest, resulting in higher disposable income.

Coming to update on operational performance, during the quarter mined metal production was at 252 KT, up 3.4% year-on-year and for nine months it was at 722,000 tons, up 5.5% year-on-year. This was on account of higher ore production at Sindesar Khurd, Rampura Agucha and Zawar Mines.

Improvement in recoveries, partly offset by lower mining grids subsequently mined metal production grew by 1.4% in sequentially mainly due to higher ore treatment at (at Kayad & Sindesar Khurd mines and improvement in recovery.

Integrated metal production was 261,000 tons for the quarter, up 11% year-on-year and up 25% sequentially, these were supported by better plants and mined metal availability and improved operating parameters. Integrated zinc production was 214,000 tons up 17% year-on-year and up by 32% sequentially. Integrated lead production for the quarter remained flat sequentially at 47,000 tons, but was down 10% year-on-year on account of account of Pyro plant (CLZS) operations on Zinc-Lead mode compared to Lead mode only.

Overall for the nine-month period, metal production was 707,000 tons up 5% y-o-y in line with better plant and mined metal availability. Integrated silver production was 173 tons, down 5% y-o-y in-line with lower lead production but up 14% from last quarter. For the nine-month period, silver production was 4% lower Y-o-Y to 485 MT in line with the lower lead metal production and depletion of the Silver WIP.

Our nine month mine development was also at historic high level. At the current run rate of production we are confident to deliver on the 1 million ton production mark this year. As discussed last quarter, the deliveries of our new equipment orders have started and this will further aid our operational efficiencies and improved equipment reliability, which is very critical in our business.

Coming to project update, we are stepping forward towards fulfilling the needs of the domestic markets demand for zinc alloys from setting up the new facility with investments in the latest equipment and world class technologies. We yet to manufacture high quality value added zinc alloys products which are currently being imported into the country.

Currently our value added product share stands at approximately 20%. With this we aim to take it to over 50%. With this I hand over to Sandeep to update on the financial performance.

Sandeep Modi: Thank you, Mr. Misra and good afternoon everyone. This was a great quarter where we crossed significant milestones and continued the positive momentum of our financial performance. We delivered historically high quarterly revenue and EBITDA, as well as our highest ever PAT since transition to underground mining.

The winning streak is underpinned by our relentless efforts on volume delivery, operational efficiencies, cost rationalization as well as the favorable LME environment. Being in the first quarter of the cost curve, our margin exhibit resilience even in the input commodity inflationary environment as positive correlation to LME prices creates a favorable trade off for us.

Coming to an update on the financial performance for the third quarter and nine months ended December 21. The total revenue from operation during the quarter was Rs. 7,990 crores, an increase of 32% YoY lead by higher zinc volume and higher zinc and lead LME prices as well as higher premium which was partially offset by lower lead and silver volumes.

Over the years, zinc and lead LME prices were up 28% and 23% respectively. Sequentially revenue increased 31% primarily due to the higher metal and silver volume and zinc LME prices, partially offset by lower silver prices and WPP volumes. Sequentially zinc and silver sales volume increased 29% and 14% respectively, while lead sales volume remained flat. Zinc cost of production before royalty was $1,148 per metric ton for the quarter.

It is a marginally 2% higher sequentially and up 21% year-on-year. The COP for the nine months ended December 21 was at $1,116 per ton up 16% year-on-year. The COP has been affected by higher coal prices due to the increased use of imported coal, which is also at the higher cost owing to the lower linkage coal availability. This was partially offset by higher volume, operational efficiencies and better recoveries.

Coming to the EBITDA. EBITDA for the quarter was Rs. 4,392 cores, which is one-third YoY up and 32% sequentially. EBITDA for the nine months ended December 21 was at Rs. 11,282 crores, which is 43% YoY up. The rise was primarily due to the higher zinc volume, higher zinc and lead LME and silver prices, as well as the higher premiums. Net profit for the quarter was Rs. 2,701 crores, which is up 23% YoY and 34% sequentially. Nine months' net profit stood at Rs. 6,701 crores, which is 22% YoY up.

Effective tax rate for the quarter was approximately 30% and for nine months was 31% basis the projections of our ETR guidance for the year, the full year remain until at 32% approximately. I am also happy to state on record that in December 21 the board had approved an interim dividend of Rs. 18 per equity share, which is 900% basis phase value of Rs. 2 per share and amounts to Rs. 7,606 crores. This reinforces our commitment to our stated dividend policy as well as our superior stakeholder returns.

With this, I open the floor for your questions.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Abhiram Iyer from Deutsche CIB Centre Private Limited. Please go ahead.

Abhiram Iyer: I had two questions. The first one was could you give us a sense of whether the debt has reduced from the end of September quarter because as I can see the cash and equivalents have reduced, but that is pretty much the amount of the dividends that have been paid, so I was wondering whether your debt or working capital has had an impact on the cash flow that is actually been generated from operations? That was the first question. And the second question is you were looking at certain inorganic sort of acquisitions, some of these were pertain to Zinc International, a sister company. So could you give us any update on that? Is this still in committee in terms of discussions?

Arun Misra: So if I may address the second question first that our strategy of expanding beyond the boundaries of India remains intact. Of course we are looking at South Africa and Zinc International, and if alternative properties come up for discussion on that. However, whenever they are approved by the board we will be able to report that. As of now they are under active consideration by all board members and as well as the stakeholders of the company.

Sandeep Modi: Hi Abhiram, for coming to your first question, the debt reduction. Yes, you are right, we have reduced our debt by Rs. 1,750 crores, which was primarily CP as a term loan during this quarter.

Moderator: Thank you very much. Next question is from the line of Pinakin Parekh from JP Morgan. Please go ahead.

Pinakin Parekh: I have one question. There has been a subsidiary which has been created. I think Hindustan Zinc Alloys Limited. Can you give us more sense of what business this would involve in?

Arun Misra: So as the name suggest, this actually gives us the facility of concentrating on the alloy making operations under one roof who would develop expertise in delivering the alloy products which currently in various users in India are importing. This serves two ways. One, it expands our domestic market. Second is also does import substitutions as far as zinc coming into the country through the alloy route is concerned.

This facility will be put up in one of our operating locations with all environment friendly technologies, but the focus remains on developing alloys which will expand our business and also give us better premiums going forward.

Pinakin Parekh: So can you give us a sense of what kind of investments this will involve over the next one to three years?

Arun Misra: So as of now we have kept Rs. 200 crores. So we have kept Rs. 200 crores for this. We will start with our capacity matching with our market study and as the market grows we will take it forward.

Moderator: Thank you. Next question is from the line of Amit Dixit from Edelweiss. Please go ahead.

Amit Dixit: I have two questions. The first one is on the coal sourcing currently. So how much are we getting from linkage and how much we are importing? And given the current international coal prices, what kind of power and fuel cost change you expect in Q4 over Q3?

Sandeep Modi: Yeah, in terms of coal mix, we are supposed to have 25% linkage coal and 75%. Roughly the linkage code consumption mix remains 25% to 30%. However, due to the non power sectors not getting prioritization by the Coal India currently in the Q3 it was 3% to 4% of the linkage coal consumption mix.

So this has put a pressure on our coal cost and ultimately the power cost and overall cost which is roughly overall put together is $50 to $55. However, in terms of the coal security, we are fully secured in terms of the import coal parcel, so no worry on that part. That is I think I hope I am able to answer your question.

Amit Dixit: So you mean that out of I mean of 25% to 30% normal linkage it was just 3% to 4% linkage in Q3?

Sandeep Modi: Q3 it was 3% to 4%.

Amit Dixit: Second question is essentially the transfer to retained earnings of around Rs. 10,000 crores. So while you have indicated that it would be like as the board deem fit it can be utilized for the shareholder return. So, I mean, is it fair to assume the second tranche of dividend, if any I mean in this financial year?

Sandeep Modi: So I will just simply say this is a standard Companies Acts which was amended in 2013. We have just followed the same practice and move this to Free Reserve under Retained Earnings. This will essentially move the amount from GR to RE as a General Deserve does not exist in the Companies Act 13. I would not read too much into it, and neither would we commit on any dividend related announcement as they are solely board related decisions.

This is simply an enabling act. Free Reserves as the name suggests are not bound by any end use since there is a more progressive Act hence we are also transitioning as a best practice. This essentially gives us some more head rooms.

Moderator: Thank you. The next question is from the line of Sumangal Nevatia from Kotak Securities. Please go ahead.

Sumangal Nevatia: My first question is on the annual volumes. So are we on track to reach 1025 kt to 1050 kt volumes which we had guided in the previous quarter and 720 for silver? And also if you could share why we had missed or not declared the outlook in the commentary? It was a regular practice, but this quarter I think we have discontinued it?

Arun Misra: So, no, they are not every quarter. Roughly about we expect to do it twice in a year. And if we look at the current performance in nine months we are up 7% as far as ore production compared to last year same nine months as well as 6% up on last compared to on mined metal production. We hope that the run that quarter four normally Hindustan Zinc enjoys we will be crossing the 1 million ton mark. However, close to the guidance that we had issued previously, we can go. It depends upon how much we perform in this quarter.

Sumangal Nevatia: Okay, and then on the cost of production, if you can just share, what would be the impact of the current cost inflation on the commodity side? I think the previous guidance was around $1,075, south of $1,075. I guess that has to be revised again. So if you could just share some cost details also?

Sandeep Modi: You would appreciate that we are in a super commodity cycle. The thing that we need to prioritize at all time is to stay in the first quartile of global cost curve. We are not throwing caution to the winds and remain cognizant of the risks posed by the coal prices as spoken about the linkage coal availability and import coal crisis, which is globally being expected. So we will continue to focus on delivering volume, keeping a tight watch on the cost rationalization, and operational efficiency. I will also give another example that the way in the Q3 to Q2 we had a cost increase of marginally $24.

But if you see the margins which have improved is almost $350, which is ultimately translating to my bottom right of Rs. 400 crore. So even if we consider a scenario where coal prices remain high and linkage coal availability become a concern, that will only impact cost marginally, which we would continue to offset with higher volume and operating efficiencies.

Sumangal Nevatia: Understand. If I may just ask one more on the CAPEX. We are talking about $1 billion expenditure in ESG over the next three years and then there will be a regular maintenance CAPEX and also expansion CAPEX from 1.2 mtpa to eventually 1.5 mtpa. And in between we were evaluating smelter expansion in Gujarat also. So how should we look at overall CAPEX on an annual basis over say the next two to three years? If you could share?

Arun Misra: So this $1 billion expenditure on the ESG front I spoke about is not exclusive of regular maintenance or regular growth. Only part of those like in maintenance and the sustenance CAPEX we buy equipment under replacement category. So wherever I am buying replacement I should look forward to ESG compliant or something like battery operated vehicle or so, those kinds of expenditures we will do which will take us in our journey of Net Zero 2050.

So that this $1 billion will comprise of some of the routine expenses for maintenance as well as part of the growth expenses wherever I do. So, if I have like in I spoke about in Dariba we are in a power purchase agreement situation for supplying 300 MW of renewable power.

Similarly, any new facilities that I put up all the time technologically looking at and that new facility can make green products from day one. Like the melting casting unit that will come up, our target will be the value added product that will produce should be green product, meaning it is produced by consuming green energy only. So those are the kinds of investments summed up together we have kept aside $1 billion.

Sumangal Nevatia Any guidance on the annual CAPEX run rate for next 2-3 years?

Sandeep Modi: I think for this year the CAPEX guidance remains unchanged, so that is for this year. We will come up with in the New Years about the CAPEX guidance for the next year possibly.

Moderator: Thank you. Next question is from the line of Vishal Chandak from Motilal Oswal Financial Securities Limited. Please go ahead.

Vishal Chandak: Sir, on a strategic note, just wanted to understand one thing. Zinc prices are at northwards of $3,300. And it prudent say that whenever the cycle is in uptrend, any acquisition done, especially of a mine, etcetera, leads to, you know, kind of for an impairment when the cycle turns down. At the peak of the cycle, we are considering the acquisition of Zinc International assets. So how far do you think you know this would be a prudent acquisition?

Arun Misra: So I do not think we have a come out with a clear decision on acquisition. All I have said is it is under consideration, but when it will fructify, when it will be executed, it is a matter that will be decided by the board on the timing, the extent and how to do it. So all that it is a matter of thing that the board will come out with. As of now, it is purely in the consideration in the form of planning business case. Does it help in the long run? But I take your point that timing will depend upon at the right time of entry we will do that.

Vishal Chandak: Sir, my second question was with respect to, you know, the target of 1.2 million tons and then subsequently reaching to 1.3 million tons. Where are we with that respect?

Arun Misra: So 1.2 million tons the run rate in quarter three, if you look at the metal produce of 260 kilotons, we are almost upwards of 1 million tons and in quarter three we are targeting to exit at the rate of 1.2 million tons and the number of equipment that is being brought in as replacement as well as addition for this year and next year I am sure next year we should be able to achieve the committed goal of 1.2 million tons.

And then we are also investing in studies and preparing technical designs for going up to 1.35 million tons as we stand today so we already have the approval from the board to move forward on those studies and that will help us to propose schemes to the board for approval.

Maybe sometime between July or August of this year, but then we will see next year I think some of those CAPEX growth projects kicking in.

Moderator: Thank you. Next question is from the line of Kunal Kothari from Centrum. Please go ahead.

Kunal Kothari: Sir, my question is, you have mentioned that we have aim to increase the value added production share of from 20% to 50%. So what will be the timeline and processes behind it so that it will improve the overall profitability for the company?

Arun Misra: So as of now so we should be finishing this year anywhere close to about 20% to 21% on the value added product. If I look at realistically with the new facility coming in next year, we should be between 30% to 35% and then year next we should target 50% depending upon our ability to produce of the quality that the market needs and also various customer approvals that we need to take.

Kunal Kothari: Sir, can you throw some light on how it will improve the profitability through this?

Arun Misra: So generally, if I look at the premium of various value added products over our routine product of SHG, it varies between $5 per ton to $50 per ton. So it is only the product mix and customer approval that will determine. I would not try to put a big number there as of now, but I am very hopeful that one it will increase our share of domestic market second, it will also increase the VAP percentage.

So it is very obvious that it will surely increase in better NEP. Now, depending on the prevailing LME prices, whether it will translate into EBITDA over and above current year or not is a factor of both LMEs as well as NEPs. So I am not going to do a guessing there.

Kunal Kothari: Sir, will it help to delink to the like fluctuation in the LME prices? Can we take this as a possibility?

Arun Misra: Yes, if some of the products which are in the high premium segment and which are not purely guided by the LME, there will be some amount of absorption of the fluctuation into the premium that we take. But again, this market is set and the application of zinc, whether it is in alloy or it is in coating products, it only constitutes a very small percentage of the total product cost.

So, accordingly the LME variation how much it will absorb I am not going to put a number there, but surely it will give us the market which is not from the LME, but more from commodity demand and supply perspective since the application area is different, at least the steady demand will be there.

So not that if it is coated product, whether the auto sector does well or not, that determines the market for galvanizing zinc. Whereas in case of say HZDA 3, which is most into furnishings and fittings of a high value retail houses, then it is not impacted by whether a particular sector is going well. So our belief is that those sectors the demand will be more sustainable irrespective of the commodity price fluctuation. So that will give us a steady volume to produce and supply to market.

Moderator: Thank you. Next question is from the line of Pallav Agarwal from Antique Stock Broking. Please go ahead.

Pallav Agarwal: Sir, I had a question on you know the other expenses. So in this quarter we have seen an increase and this is royalty in power and fuel are separate expenditure items, so any particular reason for the increase in this quarter in other expenses?

Sandeep Modi: So royalty has increased on account of the higher mined metal production as well as the higher LME. And what was your other thing?

Pallav Agarwal: So sir, I am saying this does not include royalty in power and fuel. So this must be some other head is increased so that is why?

Sandeep Modi: Yeah, okay so in sequentially if you see it is a function of the volume as well. If you see our volume has also increased more than 25% sequentially. So this is on account of largely pertaining to the volume and our higher mine development, which also happened during the quarter.

Pallav Agarwal: Also I just wanted to get a better sense of the refined metal capacity. So in between for lead, although I think our capacity is about 200,000 tons annually, we have been operated at close to, you know, we produced even close to 60,000 tons per quarter in the past. So what is our current capacity in terms of zinc and led in refine space?

Arun Misra: So it is again any smelting capacity or even you take steel plant capacities are a factor of what is the product mix they want to produce. Now the lead prices remaining almost flat, whereas zinc prices surging upwards which provokes has to produce more zinc metal within the same capacity.

And that actually allowed us to run the pyro in the lead plus zinc mode. Hence, if you look at compared to last year when it was mostly on lead only mode operations. That means in Pyro, we were not producing any zinc but this year in the pyro we are producing zinc. So to that extent yes, 60 KT per quarter production if I run only in lead mode. If I do not run only in lead mode then I will produce less but overall I have to maximize revenue as well as EDITDA. So that has been the deciding factor on the capacities.

I do not take capacity of the plant as a fixed category. It depends upon what products I will produce and accordingly decide what capacity I will utilize.

Pallav Agarwal: So can we take our total zinc lead capacity? Will that be a better figure we would take, you know, probably a 1 million ton per annum combined zinc lead capacity?

Arun Misra: If I give you the right figure, it can vary from 1.02 million tons per annum to 1.13 million tons per annum, depending upon what are the products I am making. To give you an example, along with SHG if I make PW zinc, then I produce more zinc but my customer may not remunerate me as much in PW zinc.

If I rather produce lesser amount of zinc and try to produce more of value added products. So it is a call that I have to take. Similarly, if I have more lead ore with higher silver PPM, I may decide to run more on lead only mode in Pyro so that I produce more lead and I produce more silver along with that which may compensate for the earning that I lose by producing less zinc.

So that is the dynamic thing I guess. From month to month we may change the strategy and depending on that the whole capacity can go anywhere between 1.02 million tons to 1.13 million tons, depending upon how I look at it.

Moderator: Thank you. Next question is from the line of Bhavin Chheda from Enam Holdings. Please go ahead.

Bhavin Chheda: My question was on, I missed out as against your linkage coal how much coal you actually received from Coal India for this quarter and for cumulative nine months because any shortage normally they give it afterwards when their volume ramps up, right? So what is the balance quantity to be receivable in future from Coal India on the linkage shortage part?

Sandeep Modi: Yeah, so normally we call it a backlog, so our backlog has been more than 200 rakes at this point of time. This quarter we received almost 22,000 tons of coal from the Coal India.

Bhavin Chheda: So you are saying 200 rakes each rake is roughly 4,000, right?

Sandeep Modi: Yes, I will say 4,000 then it will be almost 1 million tons.

Bhavin Chheda: So 1 million tons is pending to be received?

Sandeep Modi: Yes.

Bhavin Chheda: And you said, I think as against your linkage of 25% to 30% you have received only 3% odd this quarter, right?

Arun Misra: Yes.

Bhavin Chheda: So despite that your cost escalation was on quarter-on-quarter basis was less than $25 per ton it is for mainly operating leverage?

Sandeep Modi: So, here you have to see and appreciate the company the way it has been structurally reduced the cost and taken a lot of cost reduction program internally. So you are right that actually $50 to $55 cost has increased on account of this because of this lower linkage coal and higher import coal. But we were able to offset the $30 on account of the higher volume with the operating efficiency and the better residual sales.

So this is overall story for the cost containment and that is why we are in the first quarter of the global cost curve.

Bhavin Chheda: So in terms of power and fuel cost, this was the peak quarter because you will keep receiving this backlog so your linkage coal percentage this would be lowest ever in the quarter, right? You will at least receive much more than 3% of the linkage coal what you have received in December quarter?

Arun Misra: That is exactly that is also our hope in quarter four more linkage coal we will receive but again it depends upon Coal India's ability to keep the same production or increase the production, which I expect they will do looking at this being a winter season and normally good month for coal mines to operate and at the same time the demand in the other sectors, which prompted government power plants to keep on running and producing how that behaves.

On that, the surplus coal will be available for us and also the rake availability. Typically in winter season the rakes do get diverted for various crop movements as well across India. So keep our fingers crossed. We hope that our linkage coal percentage comes back to at least 20% in the fourth quarter, which should give us better result. But that is only a hope that we can have.

Bhavin Chheda: And sir, the last one to meet the earlier guidance for the mined metal volume you need over 3 lakh tons of mined metal run rate in quarter 4. You are confident of doing that?

Arun Misra: Yes, of course in mined metal typically if you look at last year in the month of March, about 100,000 tons we had produced. We hope that we should be able to maintain that spirit in the quarter 4. It all depends upon how we actually perform under the situation and as of now our confidence is there absolutely that we should be exiting at the rate of 1.2 million tons what we had thought earlier and the annual production should come to 1 million tons plus.

Moderator: Thank you. Next question is from the line of Shreyans Daga from Barclays. Please go ahead.

Shreyans Daga: So my questions are more along the lines of dividend. So that you would not be able to guide for any full year dividends for FY22?

Arun Misra: So no, dividend is a matter of board's configuration. I think whenever they are decided, we will be able to inform. I do not think we can guide on dividend aspects in the forward looking way.

Shreyans Daga: Okay and how is Q4 looking right now? So could you guide us to some earnings for Q4? Is Q3 a good run rate for Q4?

Arun Misra: So we are not issuing any fresh guidance for Q4. However, as we have discussed during all the answers that we have given till now, mined metal we should be touching 1 million tons plus and costs whatever is the current situation we will keep managing as much as possible and hope that some respectable number we produce at the end of the year.

Shreyans Daga: Okay, I see. Thanks and just one last question. So, with regards to Government of India's selling stake in Hindustan Zinc so do you have any updates on that?

Arun Misra: No, the update is, they are already being permitted by Supreme Court and Government has to come out with the mechanism. So I am sure that government is working on the mechanism how the disinvestment will occur and whenever they are announced we will be participating I guess. I am sure government is working on it.

Shreyans Daga: Okay. Do you have any communication as to any timelines for that?

Arun Misra: Looking at the past precedent I do not think government keeps communicating to the prospective buyers regarding how they are progressing.

Moderator: Thank you very much. Participants, due to time constraints that was the last question. I now hand the conference over to Ms. Shweta Arora for closing comments. Over to you, ma'am.

Shweta Arora: Thank you everyone. With this, we close today's Earnings Call. For any follow up questions or clarifications on the results, please feel free to reach out to Investor Relations team. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Hindustan Zinc Limited, that concludes today's conference call. Thank you all for joining us and you may now disconnect your lines.